

VZCZCXRO3459

RR RUEHBC RUEHDE RUEHDIR RUEHIHL RUEHKUK
DE RUEHGB #4056/01 3030608

ZNY CCCCC ZZH

R 300608Z OCT 06

FM AMEMBASSY BAGHDAD

TO RUCNRAQ/IRAQ COLLECTIVE

INFO RUCNIR/IRAN COLLECTIVE

RHEHWSR/WHITE HOUSE SITUATION ROOM WASHINGTON DC

RHEHAAA/WHITE HOUSE WASHINGTON DC

RHEHAAA/WHITE HOUSE WASHINGTON DC//NSC//

RUEHC/SECSTATE WASHDC 7747

C O N F I D E N T I A L SECTION 01 OF 02 BAGHDAD 004056

SIPDIS

SIPDIS

E.O. 12958: DECL: 10/29/2016

TAGS: PGOV PREL IR I2

SUBJECT: KURDISTAN NATIONAL ASSEMBLY SPEAKER ADNAN MUFTI ON
MONEY AND RELIGION

Classified By: Political Counselor Margaret Scobey for reasons 1.4 (b)
and (d).

¶1. (U) This is a PRT Erbil cable.

¶2. (C) SUMMARY: Adnan Mufti , Speaker of the Kurdistan
Regional
Government's (KRG) Kurdistan National Assembly (KNA),
discussed the new
investment law and relations with Iran and Iraq's Council of
Representatives (COR)
during a meeting with Erbil IPAO at the KNA October 18, 2006.
END SUMMARY

Iran and the Shia - Arab and Kurdish

¶3. (C) Discussing the religious parties in the KRG, Mufti
said the Kurdistan
Islamic Union (KIU), previously in the KRG coalition, had
withdrawn before the
second election while the Kurdistan Islamic Group (KIG)
reconsidered its separate
stand and joined for this term. He said the KIU and KIG have
similar views, but that
KIG has close ties with Iran. Mufti said 95 percent of Kurds
support the U.S. fully,
while 5 percent still oppose American policy because of
hostile political and religious
affiliations. (Note: Mufti, from the east of the KRG, has
experience of Ansar al-
Islam's fundamentalist control in sections of Sulaimaniya.)

¶4. (C) While most Kurds in the KRG are Sunni Muslim, Fayli
(Shia) Kurds live in
central and southern Iraq. Although they voted with Shia
parties, Mufti stated they
are more interested in Kurdish than Iraqi or Shia issues.
When questioned, Mufti
said Fayli Kurds in Europe are very close to KRG, but those
in rest of Iraq side with
the Shia parties to avoid political and social isolation. In
addition, Fayli Kurds lost
Baghdad property under Saddam and believe the Shia government
will restore their
rights. (COMMENT: Fayli leaders in Baghdad and Sulaimaniya
stressed to IPAO
during previous discussions the lack of KRG support for Fayli
Kurds. Fayli leaders
stated that PUK and KDP leaders do not support Shia Kurds
below the Green Line
because they lack the 'Peshmerga experience'. END COMMENT)

Relations with the COR

¶ 15. (C) Mufti commented that the KNA is interested in coordinating with the Iraqi Council of Representatives (COR), but COR is dealing with internal problems. COR Speaker Mahmud al-Mashadani visited Erbil and discussed with Mufti the need for coordination and good relations between the two bodies. They both thought this coordination would resolve issues on central versus regional laws and the constitution. Mufti added that because of the problems in Baghdad, the COR has 'forgotten us for now - and this may be good for us!'

Follow the money

¶ 16. (C) Mufti spoke extensively on the KRG Investment Law, in which he retains a strong interest as the former KRG Minister of Finance. He stated that the KRG has no limit on foreign investment, but the Iraqi investment law sets conditions on foreign investment in order to maintain an Iraqi majority share. When the KRG law was under discussion in the north, he said, there were many who wanted the same provisions - KRG holdings to be at least 51 percent, limitations on property ownership - but he convinced them that the KRG needs to be in line with

BAGHDAD 00004056 002 OF 002

globalization. Mufti remarked that the greatest difficulty is moving away from the deeply-rooted socialist economic model.

¶ 17. (C) His approach, Mufti said, was to explain that capital has no borders and its movement cannot be controlled. Even Kurdish millionaires, he commented, keep funds outside the KRG. On the question of property, Mufti referred to Kurdish complaints that foreigners would 'take over' and quoted Margaret Thatcher that such investment brings money into the region, but cannot later take the property out. Mufti believed the law is good, and contended that KRG courts will enforce contracts in case of dispute. He acknowledged that international investors will need time to develop confidence in the system.

¶ 18. (C) COMMENT: Mufti was welcoming and confident, clearly comfortable in his role as PUK Speaker of the KNA in Erbil. His reputation as an unpretentious person has entered popular culture in the KRG - cell phones with bells and whistles are called 'Mam Jalal' (for Jalal Talabani) or 'Kak Massoud' (for Massoud Barzani), depending on their shape. The 'Adnan Mufti', on the other hand, is the bare-bones model without flashy extras. Mufti's tenure as Minister of Finance in Sulaimaniya, his long service in the PUK Politburo and as PUK representative in Erbil (during which he was seriously injured in the bombing of PUK headquarters in February 2004), make him an unlikely leader in the KDP dominated city of Erbil. However, as Deputy Speaker Kamal Kirkuki (KDP) stated later that day, KNA

members are
avoiding referring to past conflicts in an effort to work
together.
KHALILZAD